

107TH CONGRESS  
1ST SESSION

# H. R. 2579

To prevent the use of certain bank instruments for Internet gambling, and  
for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 20, 2001

Mr. LAFALCE introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To prevent the use of certain bank instruments for Internet  
gambling, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Internet Gambling  
5       Payments Prohibition Act”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds as follows:

1           (1) Internet gambling is primarily funded  
2 through personal use of bank instruments, including  
3 credit cards and wire transfers.

4           (2) The National Gambling Impact Study Com-  
5 mission in 1999 recommended the passage of legisla-  
6 tion to prohibit wire transfers to Internet gambling  
7 sites or the banks which represent them.

8           (3) Internet gambling is a major cause of debt  
9 collection problems for insured depository institu-  
10 tions and the consumer credit industry.

11           (4) Internet gambling conducted through off-  
12 shore jurisdictions has been identified by United  
13 States law enforcement officials as a significant  
14 money laundering vulnerability.

15 **SEC. 3. PROHIBITION ON ACCEPTANCE OF ANY BANK IN-**  
16 **STRUMENT FOR INTERNET GAMBLING.**

17           (a) IN GENERAL.—No person engaged in a gambling  
18 business may knowingly accept, in connection with the  
19 participation of another person in Internet gambling—

20           (1) credit, or the proceeds of credit, extended to  
21 or on behalf of such other person (including credit  
22 extended through the use of a credit card);

23           (2) an electronic fund transfer or funds trans-  
24 mitted by or through a money transmitting business,  
25 or the proceeds of an electronic fund transfer or

1 money transmitting service, from or on behalf of the  
2 other person;

3 (3) any check, draft, or similar instrument  
4 which is drawn by or on behalf of the other person  
5 and is drawn on or payable at or through any finan-  
6 cial institution; or

7 (4) the proceeds of any other form of financial  
8 transaction as the Secretary may prescribe by regu-  
9 lation which involves a financial institution as a  
10 payor or financial intermediary on behalf of or for  
11 the benefit of the other person.

12 (b) DEFINITIONS.—For purposes of this Act, the fol-  
13 lowing definitions shall apply:

14 (1) BETS OR WAGERS.—The term “bets or  
15 wagers”—

16 (A) means the staking or risking by any  
17 person of something of value upon the outcome  
18 of a contest of others, a sporting event, or a  
19 game predominantly subject to chance, upon an  
20 agreement or understanding that the person or  
21 another person will receive something of greater  
22 value than the amount staked or risked in the  
23 event of a certain outcome;

24 (B) includes the purchase of a chance or  
25 opportunity to win a lottery or other prize

1 (which opportunity to win is predominantly sub-  
2 ject to chance);

3 (C) includes any scheme of a type de-  
4 scribed in section 3702 of title 28; and

5 (D) does not include—

6 (i) any bona fide business transaction  
7 governed by the securities laws (as that  
8 term is defined in section 3(a)(47) of the  
9 Securities Exchange Act of 1934) for the  
10 purchase or sale at a future date of securi-  
11 ties (as that term is defined in section  
12 3(a)(10) of such Act);

13 (ii) any transaction on or subject to  
14 the rules of a contract market designated  
15 pursuant to section 5 of the Commodity  
16 Exchange Act;

17 (iii) any over-the-counter derivative  
18 instrument;

19 (iv) any contract of indemnity or  
20 guarantee;

21 (v) any contract for life, health, or ac-  
22 cident insurance; or

23 (vi) any participation in a simulation  
24 sports game or an educational game or  
25 contest that—

1 (I) is not dependent solely on the  
2 outcome of any single sporting event  
3 or nonparticipant's singular individual  
4 performance in any single sporting  
5 event;

6 (II) has an outcome that reflects  
7 the relative knowledge and skill of the  
8 participants with such outcome deter-  
9 mined predominantly by accumulated  
10 statistical results of sporting events;  
11 and

12 (III) offers a prize or award to a  
13 participant that is established in ad-  
14 vance of the game or contest and is  
15 not determined by the number of par-  
16 ticipants or the amount of any fees  
17 paid by those participants.

18 (2) GAMBLING BUSINESS.—The term “gam-  
19 bling business” means—

20 (A) a business that is conducted at a gam-  
21 bling establishment;

22 (B) a business that—

23 (i) involves—

24 (I) the placing, receiving, or oth-  
25 erwise making of bets or wagers; or

1 (II) the offering to engage in the  
2 placing, receiving, or otherwise mak-  
3 ing of bets or wagers;

4 (ii) involves 1 or more persons who  
5 conduct, finance, manage, supervise, direct,  
6 or own all or part of such business; and

7 (iii) has been or remains in substan-  
8 tially continuous operation for a period in  
9 excess of 10 days or has a gross revenue  
10 of \$2,000 or more from such business dur-  
11 ing any 24-hour period; and

12 (C) any agent who knowingly solicits for a  
13 business described in subparagraph (A) or (B).

14 (3) INTERNET.—The term “Internet” means  
15 the international computer network of interoperable  
16 packet switched data networks.

17 (4) INTERNET GAMBLING.—The term “Internet  
18 gambling” means to place, receive, or otherwise  
19 make a bet or wager by any means which involves  
20 the use, at least in part, of the Internet.

21 (5) OTHER TERMS.—

22 (A) CREDIT; CREDITOR; AND CREDIT  
23 CARD.—The terms “credit”, “creditor”, and  
24 “credit card” have the meanings given such

1 terms in section 103 of the Truth in Lending  
2 Act.

3 (B) ELECTRONIC FUND TRANSFER.—The  
4 term “electronic fund transfer”—

5 (i) has the meaning given such term  
6 in section 903 of the Electronic Fund  
7 Transfer Act; and

8 (ii) includes any fund transfer covered  
9 by Article 4 of the Uniform Commercial  
10 Code, as in effect in any State.

11 (C) FINANCIAL INSTITUTION.—The term  
12 “financial institution” has the meaning given  
13 such term in section 903 of the Electronic  
14 Fund Transfer Act.

15 (D) MONEY TRANSMITTING BUSINESS AND  
16 MONEY TRANSMITTING SERVICE.—The terms  
17 “money transmitting business” and “money  
18 transmitting service”—

19 (i) have the meanings given such  
20 terms in section 5330(d) of title 31,  
21 United States Code; and

22 (ii) include any person involved in fa-  
23 cilitating payments and fund transfers over  
24 the Internet, such as third-party payment  
25 facilitators.

1 (E) SECRETARY.—The term “Secretary”  
2 means the Secretary of the Treasury.

3 (c) CIVIL REMEDIES.—

4 (1) JURISDICTION.—The district courts of the  
5 United States shall have original and exclusive juris-  
6 diction to prevent and restrain violations of this sec-  
7 tion by issuing appropriate orders in accordance  
8 with this section, regardless of whether a prosecu-  
9 tion has been initiated under this section.

10 (2) PROCEEDINGS.—

11 (A) INSTITUTION BY FEDERAL GOVERN-  
12 MENT.—

13 (i) IN GENERAL.—The United States,  
14 acting through the Attorney General, may  
15 institute proceedings under this subsection  
16 to prevent or restrain a violation of this  
17 section.

18 (ii) RELIEF.—Upon application of the  
19 United States under this subparagraph,  
20 the district court may enter a preliminary  
21 injunction or an injunction against any  
22 person to prevent or restrain a violation of  
23 this section, in accordance with Rule 65 of  
24 the Federal Rules of Civil Procedure.



1 (B) INSTITUTION BY STATE ATTORNEY  
2 GENERAL.—

3 (i) IN GENERAL.—The attorney gen-  
4 eral of a State (or other appropriate State  
5 official) in which a violation of this section  
6 allegedly has occurred or will occur may in-  
7 stitute proceedings under this subsection to  
8 prevent or restrain the violation.

9 (ii) RELIEF.—Upon application of the  
10 attorney general (or other appropriate  
11 State official) of an affected State under  
12 this subparagraph, the district court may  
13 enter a preliminary injunction or an in-  
14 junction against any person to prevent or  
15 restrain a violation of this section, in ac-  
16 cordance with Rule 65 of the Federal  
17 Rules of Civil Procedure.

18 (C) INDIAN LANDS.—Notwithstanding sub-  
19 paragraphs (A) and (B), for a violation that is  
20 alleged to have occurred, or may occur, on In-  
21 dian lands (as that term is defined in section 4  
22 of the Indian Gaming Regulatory Act)—

23 (i) the United States shall have the  
24 enforcement authority provided under sub-  
25 paragraph (A); and

1 (ii) the enforcement authorities speci-  
2 fied in an applicable Tribal-State compact  
3 negotiated under section 11 of the Indian  
4 Gaming Regulatory Act shall be carried  
5 out in accordance with that compact.

6 (3) EXPEDITED PROCEEDINGS.—

7 (A) IN GENERAL.—In addition to any pro-  
8 ceeding under paragraph (2), a district court  
9 may, in exigent circumstances, enter a tem-  
10 porary restraining order against a person al-  
11 leged to be in violation of this section upon ap-  
12 plication of the United States under paragraph  
13 (2)(A), or the attorney general (or other appro-  
14 priate State official) of an affected State under  
15 paragraph (2)(B), in accordance with Rule  
16 65(b) of the Federal Rules of Civil Procedure.

17 (d) CRIMINAL PENALTY.—

18 (1) IN GENERAL.—Whoever violates this section  
19 shall be fined under title 18, United States Code, or  
20 imprisoned for not more than 5 years, or both.

21 (2) PERMANENT INJUNCTION.—Upon convic-  
22 tion of a person under this subsection, the court  
23 may enter a permanent injunction enjoining such  
24 person from placing, receiving, or otherwise making

1       bets or wagers or sending, receiving, or inviting in-  
2       formation assisting in the placing of bets or wagers.

3       (e)   SAFE   HARBOR   FOR   FINANCIAL   INTER-  
4   MEDIARIES.—

5           (1)   IN   GENERAL.—No   creditor,   credit   card  
6       issuer, financial institution, operator of a terminal at  
7       which an electronic fund transfer may be initiated,  
8       money transmitting business, or national, regional,  
9       or local network utilized to effect a credit trans-  
10      action, electronic fund transfer, or money transmit-  
11      ting service shall be liable under this section for the  
12      involvement of such person, or the use of the facili-  
13      ties of such person—

14           (A)   in   any   credit   transaction,   electronic  
15      fund transfer, or money transmitting service de-  
16      scribed in subsection (a); or

17           (B)   in   drawing,   paying,   transferring,   or  
18      collecting any check, draft, or other instrument  
19      described in subsection (a) or in any regulation  
20      prescribed under such subsection.

21           (2)   EXCEPTION   FOR   KNOWING   PARTICIPATION  
22      IN   A   GAMBLING   BUSINESS.—Paragraph   (1)   shall   not  
23      apply with respect to any person referred to in such  
24      paragraph which is a gambling business or which  
25      knowingly participates in any activity referred to in

1        subparagraph (A) or (B) of such paragraph as an  
2        agent or representative of a gambling business.

3    **SEC. 4. INTERNET GAMBLING IN OR THROUGH FOREIGN**  
4        **JURISDICTIONS.**

5        (a) IN GENERAL.—In deliberations between the  
6    United States Government and any other country on  
7    money laundering, corruption, and crime issues, the  
8    United States Government should—

9            (1) encourage cooperation by foreign govern-  
10    ments and relevant international fora in identifying  
11    whether Internet gambling operations are being used  
12    for money laundering, corruption, or other crimes;

13            (2) advance policies that promote the coopera-  
14    tion of foreign governments, through information  
15    sharing or other measures, in the enforcement of  
16    this Act; and

17            (3) encourage the Financial Action Task Force  
18    on Money Laundering, in its annual report on  
19    money laundering typologies, to study the extent to  
20    which Internet gambling operations are being used  
21    for money laundering.

22        (b) REPORT REQUIRED.—The Secretary of the  
23    Treasury shall submit an annual report to the Congress  
24    on the deliberations between the United States and other  
25    countries on issues relating to Internet gambling.

1 **SEC. 5. ENFORCEMENT ACTIONS.**

2 Section 8 of the Federal Deposit Insurance Act (12  
3 U.S.C. 1818) is amended by adding at the end the fol-  
4 lowing new subsection:

5 “(x) DEPOSITORY INSTITUTION INVOLVEMENT IN  
6 INTERNET GAMBLING.—Notwithstanding section 3(e) of  
7 the Internet Gambling Payments Prohibition Act, if any  
8 appropriate Federal banking agency determines that any  
9 insured depository institution is engaged in any of the fol-  
10 lowing activities, the agency may issue an order to such  
11 institution prohibiting such institution from continuing to  
12 engage in any of the following activities:

13 “(1) Extending credit, or facilitating an exten-  
14 sion of credit, electronic fund transfer, or money  
15 transmitting service with the actual knowledge that  
16 any person is violating section 3(a) of the Internet  
17 Gambling Payments Prohibition Act in connection  
18 with such extension of credit, electronic fund trans-  
19 fer, or money transmitting service.

20 “(2) Paying, transferring, or collecting on any  
21 check, draft, or other instrument drawn on any de-  
22 pository institution with the actual knowledge that  
23 any person is violating section 3(a) of the Internet  
24 Gambling Payments Prohibition Act in connection  
25 with such check, draft, or other instrument.”.

